

## Message Text

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65

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INFO AMEMBASSY CAIRO

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E.O. 11652: N/A

TAGS: PFOR, IS, EG

SUBJECT: ISRAELI ACTIONS IN THE GULF OF SUEZ

1. THE FOLLOWING ARTICLE BY MATTY GOLAN ENTITLED "SUEZ GULF DRILLING DONE BY EGYPTIAN COMPANY" WAS PUBLISHED IN HAARETZ SEPTEMBER 28:

2. BEGIN TEXT: "THE COMPANY ENGAGED IN DRILLING FOR OIL IN THE SUEZ GULF IS NOT A PRIVATE COMPANY, BUT HAS A STATUS IDENTICAL TO THAT OF AN EGYPTIAN STATE COMPANY; THE AGREEMENT BETWEEN THAT COMPANY AND EGYPT CONTAINS A BOYCOTT PROVISION AGAINST ISRAEL; THE AGREEMENT LEAVES THE OWNERSHIP OF THE OIL IN THE HANDS OF THE EGYPTIAN GOVERNMENT."

3. THESE ARE THREE OF THE PROVISIONS INCLUDED IN A SECRET AND DETAILED MEMORANDUM BY THE FOREIGN MINISTRY LEGAL ADVISER, MR. MEIR ROSEN. INTENDED OFR THE FOREIGH MINISTER, THE MEMORANDUM WAS SENT TO JERUSALEM ABOUT A WEEK AGO AFTER MR. ROSEN, WHO WAS IN THE UNITED STATES AT THE TIME, HAD EXAMINED THE DOCUMENTS CONNECTED WITH THE AMOCO SUEZ DRILLING.

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4. THE FIRST PROVISION IMPLIES THAT IN THE NEGOTIATIONS WHICH THE UNITED STATES IS CONDUCTING WITH ISRAEL ON BEHALF OF THE AMOCO COMPANY, WASHINGTON IS IN FACT REPRESENTING EGYPT, OR AT LEAST A COMPANY WHOSE LEGAL STATUS IS THAT OF AN EGYPTIAN STATE COMPANY. AFTER HAVING READ THE MEMORANDUM AND THE BOYCOTT CLAUSE, SENIOR JERUSALEM SOURCES REACHED THE CONCLUSION THAT THE SAID PROVISION EXPLAINED AMOCO'S REFUSAL TO HOLD DIRECT NEGOTIATIONS WITH ISRAEL, AS REPEATEDLY PROPOSED BY JERUSALEM. THE STATUS AND COMPOSITION OF THE OIL DRILLING COMPANY LED MR. ROSEN TO HIS CONCLUSION. IT IS EVIDENT FROM THE MEMORANDUM THAT AMOCO IS MADE UP OF TWO COMPANIES WHICH HAVE BEEN FORMED ESPECIALLY FOR THE SUEZ GULF DRILLING AGREEMENT.

5. THE MEMORANDUM STATES: "THE 1964 CONCESSION WAS SIGNED BETWEEN THE EGYPTIAN GOVERNMENT, AND EGYPTIAN COMPANY, EGPC, AND AN AMERICAN COMPANY, PAN AMERICAN (AMOCO). THE TWO COMPANIES SET UP A THIRD, REGISTERED IN EGYPT UNDER THE NAME OF GSPCO WHICH IS CARRYING OUT THE DRILLING WORK." MR. ROSEN THUS EXPLICITLY STATES THAT THE SUEZ GULF DRILLING IS BEING PERFORMED BY AN EGYPTIAN COMPANY AND NOT BY THE AMERICAN AMOCO COMPANY.

6. ABOUT THE BOYCOTT CLAUSE THE FOREIGN MINISTRY LEGAL ADVISER WRITES: "THE AGREEMENT CONTAINS A BOYCOTT PROVISION AGAINST ISRAEL (PARA 12). IT STIPULATES THAT NEITHER PARTY SHALL EXPORT, OR KNOWINGLY SELL, DIRECTLY OR INDIRECTLY, ANY OIL PRODUCED ACCORDING TO THAT AGREEMENT TO A FOREIGN COUNTRY WITH WHICH EGYPTIAN CITIZENS OR REPRESENTATIVES ARE FORBIDDEN TO TRADE; THE SAME APPLIES TO CONTACTS WITH ANY SUCH FOREIGN ELEMENT OR INDIVIDUAL."

7. OTHER PRINCIPAL CLAUSES IN MR. ROSEN'S MEMORANDUM:  
A. AFTER A FUTURE CONCESSION AGREEMENT IS SIGNED, EGYPT WILL RESERVE HER FIRST OPTION TO BUY THE OIL FOR HER REFINERIES.  
B. EGYPT WILL BE ENTITLED TO PURCHASE 20 PERCENT OF THE PRODUCED OIL AT 10 PERCENT LESS THAN THE MARKET PRICE, FOR HER OWN USE.  
C. EGYPT IS ENTITLED TO CONFISCATE THE ENTIRE PRODUCTION

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IN CASE OF A NATIONAL NEED OR WAR.

D. THE AMERICAN APPEAL HAS NO LEGAL BASIS ON THE PROCEDURAL LEVEL. WHEN A COMPANY HAS A CLAIM AGAINST A FOREIGN GOVERNMENT IT MUST FOLLOW A NUMBER OF SET RULES. ONE OF THE RULES IS THAT IT MUST EXHAUST ALL THE LOCAL STEPS. AMOCO HAS NOT FOLLOWED EVEN THAT ELEMENTARY RULE.  
E. THE OCCUPATION RULES APPLY TO THE SUEZ GULF AND THERE IS NO LEGAL DIFFERENCE BETWEEN CONTROL ON SEA OR

ON LAND.

F. THE CHAIRMAN'S STATEMENT AT THE MILITARY GROUP MEETING IN GENEVA IN SEPTEMBER 1975, TO WHICH EGYPT AGREED AND WHICH IS AN INTEGRAL PART OF THE INTERIM AGREEMENT, EXPLICITLY REFERS TO THE MEDIAN LINE FOR NAVIGATION PURPOSES.

G. EGYPT HAS GRANTED SEVERAL CONCESSIONS IN SINAI WHICH IS UNDER ISRAELI CONTROL AND THERE IS NO LEGAL DIFFERENCE BETWEEN HER RIGHTS IN THE GULF TERRITORIAL WATERS AND THE SINAI.

H. EVERY YIELDING CONSTITUTES A PRECEDENT AND A FIRM LEGAL BASIS FOR OTHER FOREIGN COMPANIES. DISCRIMINATION BETWEEN COMPANIES WOULD CONSTITUTE AN UNFRIENDLY ISRAELI ACT TOWARD OTHER COUNTRIES, AND ONE OF THE FIXED PRINCIPLES IN INTERNATIONAL LAW IS THAT SUCH DISCRIMINATION IS FORBIDDEN. YIELDING IN THIS CASE WOULD PLACE ISRAEL IN A DIFFICULT POLITICAL POSITION PARTICULARLY WHERE FRIENDLY COUNTRIES ARE CONCERNED.

8. IN FACT, THE MEDIAN LINE HAS BEEN RESPECTED BY BOTH PARTIES FOR A NUMBER OF YEARS AND GENERAL SIILASVUO HAS CONFIRMED IT IN A TALK WITH US. EGYPTIAN VESSELS DO NOT CROSS THE MEDIAN LINE AND ISRAELI PATROLS ALSO REFRAIN FROM DOING SO.

9. ACCEPTANCE OF THE AMERICAN CLAIM THAT "WE MUST HONOR AN EGYPTIAN CONCESSION GRANTED IN 1964" WOULD BIND BOTH PARTIES TO HONOR THE CONCESSION IN ITS ENTIRETY. IN OTHER WORDS -- WE WOULD HAVE TO HONOR THE BOYCOTT AGAINST ISRAEL AND THE EGYPTIANS WOULD GIVE US THE SAME CONTROL RIGHTS AND BENEFITS ACQUIRED BY THE EGYPTIAN GOVERNMENT ACCORDING TO THE CONCESSION. IN LIGHT OF FINDINGS ESTABLISHED HITHERTO, I BELIEVE I HAVE REASON TO

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CLAIM THAT THE 1964 CONTRACT DOES NOT LEGALLY APPLY TO ISRAEL.

10. HAARETZ CORRESPONDENT HAS ALSO LEARNED THAT BEFORE ALLON DEPARTED FOR THE UNITED STATES EARLY LAST WEEK MR. ZVI DINSTEN APPROACHED HIM ON THE SAME ISSUE. MR. DINSTEN, WHO IS THE PRIME MINISTER'S ADVISER OF ENERGY AFFAIRS, TOLD MR. ALLON THAT AS EARLY AS 1969 HE HAD TWICE MET AN AMOCO REPRESENTATIVE AND OFFERED HIM SUITABLE TERMS, TO ENABLE THAT COMPANY TO CONTINUE ITS OIL EXPLORATION ACCORDING TO THE 1964 CONCESSION. ACCORDING TO MR. DINSTEN, THE COMPANY REJECTED THE PROPOSAL WHICH INVOLVED SALE OF PART OF THE OIL TO ISRAEL. HE ADDED THAT ONE OF THE REASONS FOR THE ISRAELI PROPOSAL BEING REJECTED WAS AMOCO'S COMMITMENT TO THE RULES OF THE ARAB BOYCOTT.

11. HAARETZ CORRESPONDENT HAS LEARNED THAT THE MEMOR-  
ANDUM HAS BEEN THE CAUSE OF SOME EMBARRASSMENT IN JERU-  
SALEM, PRIMARILY BECAUSE FO THE UNEQUIVOCAL ASSER-  
TIONS ON THE STATUS OF THE DRILLING COMPANY AND THAT THE  
U.S. HAS NO STANDING IN THIS MATTER. NO LESS SIGNIFICANT  
IS THE BOYCOTT CLAUSE.

12. THE BOYCOTT CLAUSE IS EXPECIALLY DISCONCERTING AT  
A TIME WHEN THE U.S. CONGRESS IS AT THE PEAK OF THE ANTI-  
BOYCOTT LEGISLATION. ONCE THAT LAW IS FINALLY APPROVED,  
AMOCO WILL FIND ITSELF BREAKING THE LAW, SENIOR ELEMENTS  
FEAR THAT UNDER THESE CIRCUMSTANCES ISRAELI CONCESSIONS  
TOWARD AMOCO WOULD MEET WITH THE MOST GRAVE RESERVATIONS  
BY CONGRESS AND AMERICAN PUBLIC OPINION.  
END TEXT.  
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